

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

ILLINOIS INDEPENDENT TELEPHONE
ASSOCIATION)

Petition for initiation of an investigation of
the necessity of and the establishment of a
Universal Service Support Fund in accordance
with Section 13-301(d) of The Public Utilities
Act.)

ILLINOIS COMMERCE COMMISSION
On Its Own Motion)

Investigation into the necessity of and, if
appropriate, the establishment of a universal
support fund pursuant to Section 13-301(d) of
The Public Utilities Act.)

Docket No. 00-0233

Docket No. 00-0355

OFFICIAL FILE

ILL. C. C. DOCKET NO. 00-0233/0355

IITA

Exhibit No.

Rehearing

DIRECT TESTIMONY ON REHEARING

Witness

Date

12/18/01

Reporter

and

OF

ROBERT C. SCHOONMAKER

ON BEHALF OF

THE ILLINOIS INDEPENDENT TELEPHONE ASSOCIATION

OFFICIAL FILE

November 27, 2001

ILL. C. C. DOCKET NO. 01-0308

Exhibit No. 1

Witness

Date

1/15/03

Reporter

and

1 Q. Please state your name and business address.

2 A. My name is Robert C. Schoonmaker, and my business address is P. O. Box
3 25969, Colorado Springs, Colorado 80936.

4
5 Q. By whom are you employed and in what capacity?

6
7 A. I am a Vice President of GVNW Consulting, Inc., a consulting firm specializing
8 in working with small telephone companies.

9
10 Q. Are you the same Robert C. Schoonmaker who previously filed Direct,
11 Supplemental Direct, and Rebuttal Testimony in this phase of these consolidated
12 dockets?

13 A. Yes, I am.

14
15 Q. What is the purpose of your direct testimony on rehearing?

16 A. After considering petitions for rehearing in this docket, the Commission granted
17 rehearing on four major issues. These issues are: 1) Calculation of the fund
18 amount using Verizon's proposed affordable rate; 2) Calculation of the actual
19 Verizon affordable rate; 3) the appropriate impact of funding primary lines; and
20 4) consideration of a phase in of the affordable rate. The issues are more fully
21 described and their scope defined in Judge Woods' Memorandum to the
22 Commission dated October 26, 2001, which is Attachment 1 to IITA Exhibit 2 on
23 Rehearing. My testimony will focus on each of these issues and present the
24 IITA's analysis and position on these issues.

25

1 CALCULATION OF THE FUND AMOUNT USING VERIZON'S PROPOSED
2 AFFORDABLE RATE
3

4 Q. Would you please describe the concerns of the IITA regarding the calculation of
5 the IUSF using Verizon's proposed affordable rate of \$22.23?

6 A. Yes. The Commission methodology for determining what amount of universal
7 service support each company seeking support shall initially receive (which
8 aggregated would establish the initial fund size) is set forth at Page 38 of the
9 Second Interim Order ("Order") as follows:

10 "As stated earlier, the results of the HAI determined that a need exists to establish
11 a fund. Under Verizon's proposal, each company requesting funding would be
12 required to demonstrate the need for such funding, through the use of the
13 affordable rate and their current rate. This methodology then considers how much
14 the IITA members are requesting and offsets that amount by the difference
15 between their affordable rates and their current rates netted against the amount
16 IITA members receive from federal funding."
17

18 However, the Order then proceeds to deduct \$6.2 million from the aggregate rate
19 of return qualification amounts for only those companies seeking support (see
20 Order at page 38). This reduction is based upon the calculation of Verizon as the
21 Order so indicates at page 33 where it states as follows:

22 "Consistent with the calculations Verizon has provided, the size of the IITA's
23 proposed fund must be reduced by approximately \$6.2 Million, plus the
24 adjustments necessary to give effect to the three Staff accounting adjustments
25 discussed in Section G. 5 below."
26

27 The Commission misunderstood and/or misused the "Verizon calculations" and
28 erred in stating the initial Fund size as \$6.6 million, less accounting adjustments,
29 plus administrative expenses. IITA Exhibit 2 on Rehearing, Attachment 2 is a
30

1 copy of Verizon Exhibit 4.0, Attachment ECB-2, containing the "Verizon
2 calculations." As can be seen from examining that Attachment, it purports to
3 calculate the amount of additional revenue that every small company in the
4 aggregate would receive if every company charged the basic rate of \$22.23 for all
5 access lines. On an annualized basis, the Attachment indicates that amount is
6 some \$6.3 Million. Subsequently, Verizon stated in Briefs the amount was closer
7 to \$6.2 million because some companies were not seeking support. (As I will
8 demonstrate, this estimated reduction of \$100,000 grossly understates the proper
9 exclusion and use of increased revenues of companies not seeking support as a
10 deduction to the appropriate size of the initial Fund.)

11
12 However, use of the Verizon exhibit to simply subtract from the total amount
13 requested by the IITA companies to determine the fund size is inappropriate
14 because the Verizon exhibit does not take into account the amounts actually
15 requested by the IITA companies. The method used by the Commission is thus
16 flawed in two respects. First, it includes within its \$6.3 million total "revenue
17 increased amounts" for companies which did not seek any USF funding. Second,
18 the "Verizon's calculations" include a greater amount of revenue increases for
19 certain companies than those individual companies sought based upon their
20 respective rate-of-return showings.

21
22 Q. Do you have an Attachment which demonstrates these concerns?

1 A. Yes. Attached as IITA Exhibit 2 on Rehearing, Attachment 3 is an analysis that
2 demonstrates these concerns. The Attachment shows the calculation of the initial
3 size pursuant to the Commission's methodology (assuming no other changes in
4 the Order) and demonstrates the error in using the Verizon calculation as a "fund
5 reduction amount." Columns (a) through (l) of Attachment 2 replicate the
6 Verizon Attachment except for correcting certain errors contained within the
7 Verizon Attachment. The corrections to the Verizon Attachment are set forth on
8 IITA Exhibit 2 on Rehearing, Attachment 3, page 2, and include correcting the
9 amount of Tonica's residential and business rate, Moultrie's business rate and the
10 amount of USF support requested by Mid-Century.

11
12 Column (l) of page 1 of Attachment 3 shows the corrected "Verizon calculation"
13 of approximately \$6.3 million. Column (m) sets forth the amount of universal
14 service support sought by certain small companies as limited by their respective
15 rate-of-return showings. The Verizon calculation is not appropriate for use in
16 total Fund reduction for the two generic reasons that I indicated earlier.

17
18 Q. Can you provide examples of each of the two types of generic reasons that you
19 previously identified?

20 A. The first error is that the Verizon attachment included amounts for companies
21 which did not seek any USF funding (see Column (m)). For example, \$995,470
22 was included in the \$6.3 million total for Geneseo who sought no funding. In a
23 similar manner, \$110,771 was included for Hamilton and \$448,963 for Marseilles.

1 Other companies that fall within this category include Clarksville,
2 Frontier-DePue, Frontier-Mt. Pulaski, Frontier-Orion, Kinsman, Leonore, and
3 Stelle.

4
5 The second generic error in "Verizon's calculations" was to include a greater
6 amount of revenue increases for certain companies than those individual
7 companies sought based upon their respective rate-of-return showings. For
8 example, within this \$6.3 million total, \$534,910 is included for Adams when
9 Adams only sought \$118,765. The lesser amount of \$118,765 was the amount
10 included within the aggregate Fund size shown in Column (m) requested by the
11 IITA. Other companies in the Adams' category include Alhambra, Cambridge,
12 Crossville, El Paso, Glasford and Reynolds.

13
14 Q. Does IITA Exhibit 2 on Rehearing, Attachment 3 include a correct calculation of
15 the funding amount using Verizon's proposed affordable rate of \$22.23?

16 A. It does. Column (n) of Attachment 2 sets forth the correct Fund size using the
17 Order's methodology before accounting adjustments. That amount is \$9,283,596.
18 Column (o) reflects the amount of the accounting adjustments per the Order.
19 Column (p) reflects the base initial Fund size after reflecting the accounting
20 adjustments. That amount is \$8,420,271.

1 Q. After presentation of these calculations in the IITA's Application for Rehearing
2 and/or Reconsideration, are you aware of any party to this proceeding that
3 disputes the correctness of these calculations?

4 A. No, to my knowledge, all of the parties to this proceeding agree that these
5 calculations represent a correct calculation of the appropriate fund size reflecting
6 the methodology adopted by the Commission in its Second Interim Order
7 reflecting the use of \$22.23 as the affordable rate, an immediate transition to this
8 funding level, and no funding adjustment related to funding "first lines" of
9 customers.

10

11 CALCULATION OF THE ACTUAL VERIZON AFFORDABLE RATE

12

13 Q. During Phase 2 of this proceeding, what was the IITA's position concerning the
14 appropriate "affordable rate" to be established by the Commission pursuant to the
15 requirements of § 13-301(d)?

16 A. It was the IITA's position, as set forth in my testimony, that the appropriate
17 affordable rate should be the existing rates of each of the small companies for all
18 of the reasons set forth in my Direct, Supplemental Direct and Rebuttal
19 Testimony.

20

21 Q. Has the IITA's position changed concerning this issue?

22 A. No, it has not.

23

1 Q. Did the Commission in the Second Interim Order accept the position of the IITA?

2 A. No, it did not. At page 32 of the Order, the Commission concluded, in part, as
3 follows:

4 "The Commission concludes, based on the evidence before it, that Verizon's
5 affordable rate of \$22.23 per month, excluding taxes and surcharges, is the
6 affordable rate we adopt for the State of Illinois. No parties refuted that the
7 majority of Verizon's service territory, particularly the territory upon which
8 Verizon's affordable rate was calculated, is comparable to IITA members with
9 respect to customer density, economic demographics, and operational
10 requirements. The rate is also reasonably comparable to rates in urban areas.
11 Moreover, this rate is affordable today, as Verizon's customers presently pay the
12 rates proposed by Verizon witness Dr. Beauvais. Accordingly, the Commission
13 concludes that for purposes of Section 13-301(d), the minimum affordable rate
14 must be set at \$22.23 per month, excluding taxes and surcharges."
15

16 Q. What is the issue under consideration on Rehearing?

17 A. As set forth on page 2 of Judge Woods' Memorandum to the Commission dated
18 October 26, 2001 (IITA Exhibit 2 on Rehearing, Attachment 1), the issue is as
19 follows:

20 "The second computational issue involves the actual affordable rate proposed by
21 Verizon. The rate was based upon the basic service rate of \$16.99, plus an adder
22 for usage. Verizon witness Beauvais testified that he used a benchmark of 100
23 minutes per month as the usage factor, which resulted in an additional \$5.24 being
24 added to the \$16.99, resulting in the \$22.23 composite rate. The rehearing
25 applications all posit that Verizon's tariffed usage rate is \$.034 per minute, which
26 should have lead to a usage adjustment of \$3.40 and an affordable rate of \$20.39."
27
28

29 Q. Are there certain corrections that should be made to this paragraph of Judge
30 Woods' Memorandum based on the existing record?

31 A. Yes, there are. Verizon witness Beauvais testified that he used a benchmark of
32 100 calls per month as the usage factor rather than 100 minutes per month as the

1 usage factor. In addition, Verizon's tariffed usage rate is \$.034 per call rather than
2 per minute.

3
4 Q. What is the IITA's understanding of the scope of this issue on Rehearing as set
5 forth in Judge Woods' Memorandum?

6 A. It is the IITA's understanding that the issue on Rehearing is limited to whether the
7 appropriate composite Verizon rate, which the Commission chose as a proxy to
8 establish the affordable rate for the small companies, is \$22.23 or \$20.39.

9
10 Q. Describe the issue related to the calculation of the appropriate Verizon rate.

11 A. Verizon witness Beauvais, in Verizon Exhibit 4 at page 10, calculated the Verizon
12 rate of \$22.23 based on Verizon's \$16.99 basic service rate for residential and
13 small business customers and average local usage of \$5.24. On cross-
14 examination at pages 378 and 379 of the transcript, Mr. Beauvais indicated that
15 this usage "would translate directly 100 calls, somewhere around 400 minutes a
16 month, which would be somewhere around what you would expect of a typical
17 residential one party customer usage."

18
19 However, as Harrisonville witness Hoops pointed out at page 16 of Harrisonville
20 Exhibit 6, the Verizon rate for local calls is 3.4¢. As a result, the usage charge
21 should have been \$3.40 rather than \$5.24. This results in a Verizon monthly rate
22 of \$20.39 rather than \$22.23 as originally proposed by Verizon.
23

1 Q. Has Verizon made a filing during the Rehearing process concerning this issue?

2 A. Yes, they have. On November 21, 2001, Verizon filed a Notice To The
3 Administrative Law Judge And Parties Concerning The Appropriate Affordable
4 Rate, which states in part that: "For the purposes of this proceeding, Verizon now
5 has no objection to the use of the \$20.39 figure as discussed in the IITA's Brief
6 On Exceptions." Verizon's Notice filing would appear to resolve this Rehearing
7 issue.

8

9 Q. Have you prepared an exhibit demonstrating the impact of the use of the Verizon
10 rate of \$20.39 as the affordable rate?

11 A. Yes. IITA Exhibit 2 on Rehearing, Attachment 4 contains those calculations. It
12 is based on the same series of calculations used in Attachment 3, but reflects the
13 \$20.39 affordable rate rather than a \$22.23 rate. The result is a proposed IUSF
14 funding of \$9,858,975, after accounting adjustments.

15

16 THE APPROPRIATE IMPACT OF FUNDING ONLY PRIMARY LINES

17

18 Q. In its Second Interim Order, the Commission found that supported services
19 should be limited to a primary residential line and a single business line. Has the
20 IITA now quantified the number of lines that would qualify under this criteria?

21 A. The IITA has done so for those companies that potentially qualify for funding
22 taking into consideration the Order and the Rehearing issues. This has been done
23 with some difficulty, and depending on the data available in the companies'

1 billing systems has been counted somewhat differently by the various companies.

2 The primary difference is that some companies developed this total by reviewing
3 individual customer accounts and counting the first line in each account as the
4 primary or single line while in other companies the total was developed by
5 counting the first line at each billing address as the primary or single line.

6

7 Q. Have you prepared an attachment showing the results of this effort?

8 A. Yes, IITA Exhibit 2 on Rehearing, Attachment 5 shows the results of this
9 counting effort for those IITA members identified above. The individual
10 company percentage of primary residential and single business lines to total lines
11 vary from the low 70% area to the mid-90% area, but on an overall basis, the
12 average for these companies is calculated at 86.6% of the total lines.

13

14 Q. While the Commission determined that only a primary residential line and a
15 single business line should be supported, it did not appear that this determination
16 impacted the calculation of the total amount of the IUSF fund. Do you agree with
17 this determination?

18 A. I do. While the IITA does not support the limitation of IUSF support to a primary
19 residential and a single business line, to the extent that such standard is applied it
20 should be applied in determining the total eligibility amount based on a
21 comparisons between the cost of service and the affordable rate, as provided by
22 statute, and not to the rate-of-return limited amount. In the case of the IITA
23 presentation, for example, the application of this standard would have been made

1 on IITA Exhibit #2, Attachment 5. On this Attachment, the number of lines
2 would have been reduced to the primary residential/single business count. In
3 addition, the federal support fund amount would need to be reduced to reflect the
4 federal support for just the primary residential/single business lines rather than for
5 the total lines. While I have not specifically restructured this Attachment to
6 perform the calculations, in summary the results would approximate 86.6% of the
7 originally calculated \$73.6 million or \$63.7 million. Similarly, Staff Exhibit 8,
8 Schedule 1 sponsored by Mr. Koch would see an approximate reduction from
9 \$45.0 million to 86.6% of that amount or \$39.0 million, although again this is an
10 approximation of the calculation. Even using the HAI default assumption results
11 of approximately \$30.0 million, this amount would roughly be reduced to \$26.0
12 million well in excess of the rate-of-return requested amounts.

13
14 Q. Even if the Commission were to limit the qualifying lines to a primary residence
15 and a single business line, should this result in a reduction of the initial Fund size
16 or the individual company qualifying amounts below the rate-of-return
17 determined amounts?

18 A. No, it should not. The rate-of-return limited amounts that have been requested by
19 the companies pursuant to the Commission's prior orders are just that, limitations
20 on the amounts requested to avoid the potential for a company earning more than
21 an appropriate rate of return. These limitations are intended to allow each
22 company to earn an appropriate return, but to limit support so the company does
23 not recover above that amount.

1

2 Q. What would be the impact of providing IUSF support less than that determined by
3 the rate-of-return analysis?

4 A. The immediate impact would be to limit the company to an earnings level which
5 would be inadequate and would not allow the company to earn an appropriate rate
6 of return. In order for the company to achieve its reasonable return it would not
7 only have to increase rates to reach the affordable rate level, rates would have to
8 be increased above that level in order to recover the necessary revenue.

9

10 Q. How would this revenue recovery take place?

11 A. That would depend on individual company rate determination decisions. One
12 approach could be to raise the rates of all customers and lines to effectuate the
13 necessary rate recovery. This would minimize the percentage impact on
14 individual customers, but would cause all customers to pay rates over the
15 "affordable" level. A second approach would be to attempt to recover the revenue
16 shortfall only from the additional lines beyond the primary or first line per
17 customer. This approach would have the impact of keeping primary rate levels no
18 higher than the "affordable" rate. However, rates for additional lines would have
19 to be increased substantially, perhaps to the point where customers would cancel
20 those lines rather than pay for them at the higher levels. This would result in the
21 company still not achieving the appropriate return level.

22

1 Q. Have you prepared an exhibit that calculates the rate impacts that could result if
2 the rate-of-return determined IUSF support levels were reduced by the percentage
3 of "non-primary" lines?

4 A. Yes, I have. IITA Exhibit 2 on Rehearing, Attachment 6 is such an exhibit. The
5 attachment is based on the calculation of IUSF funding determined in IITA
6 Exhibit 2 on Rehearing, Attachment 4. The attachment is further based on the
7 determination of the total number of primary residence lines and first lines of
8 business customers developed in IITA Exhibit 2 on Rehearing, Attachment 5 and
9 is calculated assuming a reduction in IUSF funding on a percentage basis for the
10 "non-primary" lines. It is further assumed that all of the IUSF funding reduction
11 would be recovered by an equal per line increase on all "non-primary" lines.

12

13 Q. What are the results of this analysis?

14 A. The necessary increases shown in Column (f) are increases in addition to those
15 amounts necessary to raise rates to a \$20.39 affordable rate. While the amounts
16 vary from company to company, customers having non-qualifying lines of 23
17 companies would have potential additional increases of more than \$5.00 per line
18 per month and customers of 16 companies' rates would potentially face increases
19 of more than \$10.00 per line per month. Attachment 6 also demonstrates the
20 extreme effect on customers having non-qualifying lines of certain companies,
21 such as Home where the necessary additional increase would be \$52.17 per line
22 per month.

1 Q. What are your observations about the potential impacts of these possible rate
2 increase levels?

3 A. First, for many of the companies, the potential rate increases that would result
4 from this type of funding reduction and rate application are very substantial. I am
5 certain that there will be significant customer resistance to such increases.
6 Results may include customer complaints and will likely include reductions in the
7 number of additional lines requested. This will be the result either of actual
8 reductions in lines served and reduction in customer service levels, or other
9 changes to establish separate customer accounts for previously additional lines to
10 avoid the higher charges. For many of the companies I would expect that they
11 will not achieve the revenue recovery contemplated by the potential rate increases
12 because of loss of customer lines.

13
14 Q. Have you made efforts to determine how these impacts may affect schools,
15 emergency services, and other governmental agencies?

16 A. The IITA did request its members to identify the number of lines for such
17 customers to the extent possible. While all member companies were not able to
18 accomplish this task, many of them did. IITA Exhibit 2 on Rehearing,
19 Attachment 7 shows the results of this analysis. The companies shown are those
20 companies requesting IUSF funding that were able to identify the governmental
21 customers.

22

1 As can be seen from Attachment 7, for the 20 companies from which information
2 was obtained, governmental non-primary lines account for 1,305 out of a total of
3 7,389 non-primary lines or 17.7%. Taking into account the magnitude of the
4 increases shown on Attachment 6, the impact on governmental offices, including
5 but not limited to police departments, fire departments and schools, would be
6 quite significant. Obviously, if these governmental bodies were forced to
7 discontinue or limit their use of non-qualifying lines because of budgetary
8 constraints, the ramifications could be far-reaching.

9
10 Q. How should this Rehearing issue be resolved by the Commission?

11 A. Both the best, and in my opinion, the correct solution is the first one suggested by
12 the Staff in their Motion For Clarification; i.e., to modify the Order On Rehearing
13 to include the funding of all access lines. Such a resolution is consistent with the
14 State's policy set forth in Section 13-103(a) of the Act. It is also consistent with
15 the FCC's practice of funding all lines. The FCC has considered this issue on
16 several occasions and continues to fund all lines. The administrative difficulties
17 in identifying non-qualifying lines is a problem as indicated by both Staff and the
18 IITA in testimony previously introduced in this phase of the dockets together with
19 the potential for customer fraud or abuse if rates are different for qualifying and
20 non-qualifying lines.

21
22 While in my opinion the reasons cited above are more than adequate to lead to a
23 determination to fund all lines, the fact that there should be no financial impact on

1 the size of the Fund or the individual company qualifying amounts, in light of the
2 rate-of-return limitation as discussed earlier in my testimony, makes the access
3 line limitation irrelevant. Finally, while such a result is not justifiable in light of
4 the rate-of-return limitation, a limitation of the Fund size or individual company
5 qualifying amounts would result in the negative impacts set forth in Attachments
6 6 and 7 as discussed above and those impacts should be avoided.

7

8 PHASE IN TO AVOID RATE SHOCK

9

10 Q. In considering again the possibility of implementing the IUSF funding using a
11 multi-year transition plan what items should the ICC take into consideration?

12 A. Of prime importance should be the impact on customers around the state, both
13 those in companies receiving funding and those who are not. These
14 considerations should include the impact on rates as a result of the Commission's
15 decision and other rate impacts that customers are facing. The Commission
16 should also give consideration to its prior orders when dealing with a somewhat
17 similar situation.

18

19 Q. Let's turn to the customer impacts first of all. Before getting to the Commission's
20 decision itself, are there impacts from other regulatory decisions that will be
21 affecting the total flat-rate paid by end users in the near future.

22 A. Yes. On October 11, 2001 the Federal Communications Commission (FCC)
23 approved an order in CC Dockets 00-256, 96-45, 98-77, and 98-166 that

1 responded to the Multi-Association Group (MAG) filing related to access reform
2 and other federal regulatory issues. The text of the Order was released on
3 November 8, 2001. Of immediate concern to this proceeding was the fact that the
4 FCC approved increases in the federal Subscriber Line Charge (SLC) for non-
5 price cap telephone companies from the current \$3.50 level to \$5.00 on January 1,
6 2002, to \$6.00 on July 1, 2002, and to \$6.50 on July 1, 2003. Thus the customers
7 of the IITA companies will be seeing increases in flat-rate charges for basic local
8 service of \$1.50 on January 1, 2002, \$1.00 on July 1, 2002, and \$0.50 on July 1,
9 2003. Multi-line business customers will receive an increase from \$6.00 to \$9.20
10 on January 1, 2002. Thus, absent any action related to the Illinois USF, these
11 customers will be seeing end user increases effective in the months ahead. In
12 considering the overall need for a transition plan for the IUSF funding, the
13 Commission should keep these federal increases in mind.

14
15 Q. Are there other ramifications of this Order that may impact small Illinois
16 companies' rates and revenues further?

17 A. Yes, there are. The Orders contain provisions that will generally reduce interstate
18 traffic sensitive access rates. The Transitional Interconnection Charge or TIC
19 element will be eliminated at the federal level on January 1, 2002. Changes in the
20 treatment of local switching requirements will result in substantial reductions in
21 the local switching rate on the same date. While the interstate and intrastate
22 impacts of these items have not been quantified at this point in time, they will
23 cause reductions (which would appear to be significant) in the small companies'

1 revenues not allowing the companies the opportunity to earn the Staff
2 recommended rate-of-return levels submitted in these dockets. This will, in all
3 likelihood, lead to further filings in these dockets, or other dockets, and could
4 necessitate yet further changes in customer rates and/or the necessary level of
5 IUSF support. I point this out in the Rehearing portion of this phase of the
6 dockets not only to make the Commission and parties aware of the situation, but
7 also because it emphasizes the need for an appropriate transition plan.

8
9 Q. If the Commission proposed IUSF funding method is finalized, what is the
10 potential rate impact on end users of the companies that have requested funding?

11 A. The rate impacts vary by company as demonstrated in IITA Exhibit 2 on
12 Rehearing, Attachment 8. The exhibit calculates the dollar and percentage rate
13 increases that would result if the companies immediately raised their current rates
14 to the \$20.39 Verizon rate level. In either case, for many companies both the
15 dollar and percentage level of increases are very substantial. In comparison to the
16 \$20.39 Verizon rate that the IITA believes is appropriate, the maximum increases
17 are \$16.46 and \$15.64 for R1 and B1 customers respectively. The maximum
18 percentage increases are 419% and 329% for R1 and B1 customers respectively.
19 The IITA believes that immediate reduction of IUSF funding to cause this level of
20 rate increase is inappropriate. In the testimony of other parties filed in the case,
21 almost all supported some type of transition plan to lessen the impact on
22 individual end user customers.
23

1 Q. Has the Commission used transition plans in the past to lessen the impacts of
2 significant changes in Commission policies?

3 A. It has. One of the significant actions the Commission adopted in Docket 83-0142
4 was the elimination of the intrastate Carrier Common Line charges with a
5 transition of these revenues to end user charges. This change, which for many
6 companies amounted to a maximum amount of ~~over~~ \$12.35 per line, was phased
7 in over a five year period with increases in end user rates taking place twice a
8 year, every six months. This allowed a significant increase in customer rates over
9 time without any undue customer rate impacts.

10

11 Q. Does the IITA support use of a transition plan in implementing the IUSF under
12 the Commission's Second Interim Order?

13 A. Yes, it does. The IITA previously supported the Staff's proposed five-year
14 transition plan and would continue to support such a plan. However, in light of
15 the Commission's initial decision to use no transition plan, and in light of the
16 position of other parties for shorter transitions than five years, the IITA is
17 presenting a revised transition plan based on concepts used by the Commission in
18 Docket 83-0142. The plan we propose would involve a transition of the revenue
19 differential between the existing rates and the Commission determined affordable
20 rate in six equal increments with interim steps occurring each six months starting
21 October 1, 2001. I have prepared IITA Exhibit 2 on Rehearing, Attachment 9
22 which demonstrates the transition downward of the IUSF over this transition
23 period. The final funding amount would be reached on the sixth transition date at

1 April 1, 2004. Attachment 9 has been prepared assuming that the final Verizon
2 rate used for the affordable rate is \$20.39.

3
4 Q. What is the major advantage of the transition plan that the IITA has proposed?

5 A. The major advantage is that it will allow companies to adjust to reduced IUSF
6 funding while transition offsetting local rate increases at a rate that will be more
7 acceptable to end users. I have prepared IITA Exhibit 2 on Rehearing,
8 Attachment 10 to demonstrate the maximum increases in R1 and B1 rates that
9 would be needed to transition company rates from the current rate to the \$20.39
10 Verizon rate. The exhibit shows both the total amount needed to transition to that
11 rate as shown in Attachment 9 and the increase needed in each of the six
12 transition periods. It should be clear to any observer that the level of rate increase
13 in each of the six transition periods would be much more acceptable to end users
14 than would implementing the total increase all at once.

15
16 Q. Does this conclude your testimony?

17 A. Yes, it does.

Docket Nos.: 00-0233/00-0335 (Cons.)
Meeting Date: 10-31-01
Deadline: 11-07-01

MEMORANDUM

TO: The Commission
FROM: Donald L. Woods, Hearing Examiner
DATE: October 26, 2001
SUBJECT: Illinois Independent Telephone Association

Petition for initiation of an investigation of the necessity of and the establishment of a Universal Service Support Fund in accordance with Section 13-301(d) of the Public Utilities Act.

Illinois Commerce Commission
On Its Own Motion

Investigation into the necessity of and, if appropriate, the establishment of an universal support fund pursuant to Section 13-301(d) of the Public Utilities Act.

Applications for Rehearing Filed by AT&T, IITA, Intervenor

Motion for Clarification Filed by Staff

RECOMMENDATION: Deny Application for Rehearings in Part, Grant in Part.
Grant Motion for Clarification.

On September 18, 2001, the Commission entered an Order in the above-captioned dockets relating to the establishment of a Universal Service Fund. On October 18, 2001, applications for rehearing were filed by IITA, AT&T and a number of Intervenor. On October 19, 2001, an application for rehearing and a motion for clarification were filed by Harrisonville Telephone Company (which is also an Intervenor, but represented by different counsel) and Staff, respectively. The application for rehearing filed by AT&T contains no matters that were not fully litigated and addressed by the Commission in the Order and I recommend that it be denied in its entirety. The other applications for rehearing also raise numerous issues that were fully addressed and I recommend that they should be largely denied. Four matters raised in the applications and in the Staff motion do, in my opinion, warrant further scrutiny.

The first issue involves the establishment of the "affordable rate." The Order adopts Verizon's proposed affordable rate, which is found to be \$22.23. The order then concludes that importing the Verizon affordable rate into the level of funding requested by the Companies results in a reduction to the requested level of funding of \$6.2 million, a number found on Verizon Exhibit ECB-2. The IITA, Staff and Intervenor all allege that the Verizon exhibit upon which the Commission relied contained mathematical errors that resulted in the reduction being overstated. The first alleged error was the reduction of the fund size based upon applying the affordable rate to companies that were not seeking funding in the first place. The second error was ignoring the funding level sought by individual companies based upon the rate of return results. This resulted in the total fund size being reduced in an amount that exceeded the individual companies request. An example is Adams Telephone Company. Adams sought funding in the amount of \$119,000, based upon its rate of return results. The Verizon exhibit, however, attributes a fund reduction of \$353,000, based upon the Verizon proposed affordable rate. Finally, the Verizon exhibit uses, as a starting point, rates for some companies that differ from the rates for the companies submitted into evidence by the IITA.

The second computational issue involves the actual affordable rate proposed by Verizon. The rate was based upon the basic service rate of \$16.99, plus an adder for usage. Verizon witness Beauvais testified that he used a benchmark of 100 minutes per month as the usage factor, which resulted in an additional \$5.24 being added to the \$16.99, resulting in the \$22.23 composite rate. The rehearing applications all posit that Verizon's tariffed usage rate is \$.034 per minute, which should have led to a usage adjustment of \$3.40 and an affordable rate of \$20.39.

The next issue upon which the remaining applications agree is the necessity for further clarification of the "single access" line basis for establishing the level of the USF. Staff notes that the Verizon exhibit made adjustments using the IITA base point level of funding, which was based upon funding of all access lines, from which Staff infers that a different result might obtain if the single line determination remains intact. Staff suggests two avenues for the Commission to follow. Either modify the order to include all access lines or take additional evidence on the number and nature of primary and secondary lines in both the residential and business context, since this was not a matter of record in this docket. The additional evidence would also likely include evidence on the impact that the primary/secondary dichotomy would have on the most likely owners of such lines including schools, public service agencies and businesses.

The final issue raised by IITA and Intervenor involves the Commission decision to not allow a phase in of the rate increases authorized by the Order. Noting that the majority of the parties supported some type of phase in to address issues of rate shock, the parties ask the Commission to take additional evidence on this issue.

Based upon my review of the applications and motion, I would recommend granting rehearing on the issues discussed above.

DLW/lw

IITA Exhibit 2 on Rehearing
Attachment 2

REVENUE IMPACT OF RATE INCREASE
TO VERIZON LEVELS

Company	R1 Rates	B1 Rates	Res Access Lines	Bus Access Lines	Verizon Res Rates *	Verizon Bus Rates *	Res Rate Differential	Bus Rate Differential	Res Revenue Differential	Bus Revenue Differential
Adams	\$ 12.20	\$ 14.90	3,921	716	\$22.23	\$22.23	\$10.03	\$7.33	39,327.63	5,248.28
Alhambra	16.80	19.71	1,043	140	\$22.23	\$22.23	\$5.43	\$2.52	5,663.49	352.80
Cambridge	16.40	18.90	1,314	752	\$22.23	\$22.23	\$5.83	\$3.33	7,660.62	2,504.16
Cass County	20.02	23.15	2,492	667	\$22.23	\$22.23	\$2.21	-\$0.92	5,507.32	0.00
Clarksville	14.97	16.77	222	10	\$22.23	\$22.23	\$7.26	\$5.46	1,611.72	54.60
C-R	19.28	21.74	795	195	\$22.23	\$22.23	\$2.95	\$0.49	2,345.25	95.55
Crossville	16.21	16.89	561	149	\$22.23	\$22.23	\$6.02	\$5.34	3,377.22	795.66
Egyptian	13.15	15.70	2,788	390	\$22.23	\$22.23	\$9.08	\$6.53	25,315.04	2,546.70
El Paso	19.47	24.76	1,561	572	\$22.23	\$22.23	\$2.76	-\$2.53	4,308.36	0.00
FC of Depue	21.49	25.85	724	117	\$22.23	\$22.23	\$0.74	-\$3.62	535.76	0.00
FC of Illinois	18.76	24.16	4,202	612	\$22.23	\$22.23	\$3.47	-\$1.93	14,580.94	0.00
FC of Lakeside	25.53	29.24	746	148	\$22.23	\$22.23	-\$3.30	-\$7.01	0.00	0.00
FC of Midland	19.52	24.33	4,197	432	\$22.23	\$22.23	\$2.61	-\$2.10	10,954.17	0.00
FC of Mt. Pulaski	18.06	19.72	1,613	334	\$22.23	\$22.23	\$4.17	\$2.51	6,726.21	838.34
FC of Orion	19.52	24.17	1,637	397	\$22.23	\$22.23	\$2.71	-\$1.94	4,436.27	0.00
FC of Prairie	19.30	24.59	913	187	\$22.23	\$22.23	\$2.93	-\$2.36	2,675.09	0.00
FC of Schuyler	19.27	24.81	2,329	712	\$22.23	\$22.23	\$2.96	-\$2.58	6,893.84	0.00
Flat Rock	21.18	24.03	512	92	\$22.23	\$22.23	\$1.05	\$1.80	537.60	0.00
Geneseo	12.45	14.95	6,159	3,121	\$22.23	\$22.23	\$9.78	\$7.28	60,235.02	22,720.88
Glasford	3.93	4.75	1,190	173	\$22.23	\$22.23	\$18.30	\$17.48	21,777.00	3,024.04
Jackson	19.20	20.70	620	232	\$22.23	\$22.23	\$3.03	\$1.53	1,878.60	354.96
Gridley	21.45	22.95	1,013	428	\$22.23	\$22.23	\$0.78	-\$0.72	790.14	0.00
Hamilton	18.70	18.70	2,261	354	\$22.23	\$22.23	\$3.53	\$3.53	7,981.33	1,249.62
Harrisonville	17.86	24.94	15,465	4,013	\$22.23	\$22.23	\$4.37	-\$2.71	67,582.05	0.00
Henry County	17.24	19.74	1,244	498	\$22.23	\$22.23	\$4.99	\$2.49	6,207.56	1,240.02
Home	20.92	26.50	861	151	\$22.23	\$22.23	\$1.31	-\$4.27	1,127.91	0.00
Kinsman	4.00	4.00	73	8	\$22.23	\$22.23	\$18.23	\$18.23	1,330.79	145.84
LaHarpe	19.98	22.52	901	204	\$22.23	\$22.23	\$2.25	-\$0.29	2,027.25	0.00
Leaf River	24.93	29.52	522	88	\$22.23	\$22.23	-\$2.70	-\$7.29	0.00	0.00
Leonore	11.43	12.93	134	24	\$22.23	\$22.23	\$10.80	\$9.30	1,447.20	223.20
Madison	19.79	22.86	1,358	241	\$22.23	\$22.23	\$2.44	-\$0.63	3,313.52	0.00
Marseilles	12.81	15.93	3,430	810	\$22.23	\$22.23	\$9.42	\$6.30	32,310.60	5,103.00
McDonough	19.45	21.95	3,986	480	\$22.23	\$22.23	\$2.78	\$0.28	11,081.08	134.40
McNabb	18.75	21.90	376	95	\$22.23	\$22.23	\$3.48	\$0.33	1,308.48	31.35
Metamora	20.65	25.91	3,534	694	\$22.23	\$22.23	\$1.58	-\$3.68	5,583.72	0.00
Mid Century	14.98	17.72	4,260	595	\$22.23	\$22.23	\$7.25	\$4.51	30,885.00	2,683.45
Montrose	17.53	20.52	1,405	249	\$22.23	\$22.23	\$4.70	\$1.71	6,603.50	425.79
Moultrie	20.19	34.94	667	186	\$22.23	\$22.23	\$2.04	-\$12.71	1,360.68	0.00
New Windsor	15.17	17.11	470	172	\$22.23	\$22.23	\$7.06	\$5.12	3,318.20	880.64
Odin	20.20	22.86	1,014	132	\$22.23	\$22.23	\$2.03	-\$0.63	2,058.42	0.00
Oneida	12.00	12.50	453	156	\$22.23	\$22.23	\$10.23	\$9.73	4,634.19	1,517.88
Reynolds	13.44	16.44	460	125	\$22.23	\$22.23	\$8.79	\$5.79	4,043.40	723.75
Shawnee	17.68	21.53	3,837	845	\$22.23	\$22.23	\$4.55	\$0.70	17,458.35	591.50
Stelle	5.88	3.00	75	27	\$22.23	\$22.23	\$16.35	\$19.23	1,226.25	519.21
Tonica	30.87	32.82	434	89	\$22.23	\$22.23	-\$8.64	-\$10.59	0.00	0.00
Viola Home	12.25	14.19	691	163	\$22.23	\$22.23	\$9.98	\$8.04	6,896.18	1,310.52
Wabash	18.51	22.06	4,577	692	\$22.23	\$22.23	\$3.72	\$0.17	17,026.44	117.64
Woodhull	13.76	15.68	578	176	\$22.23	\$22.23	\$8.47	\$6.55	4,895.66	1,152.80
Yates City	22.45	24.85	477	103	\$22.23	\$22.23	-\$0.22	-\$2.72	0.00	0.00
TOTALS			94,095	21,966					468,845.05	56,586.58
ANNUAL IMPACT									5,626,140.60	679,038.96
Grand Total										\$6,305,179.56

* Includes \$16.99 Basic rate plus \$5.24 Average usage.

ECB-2

Comp	R1 R	1 Rate	Ac Li	Verizon es Rate	1 Res e Differ	Bus Rate Differential	Revenue Differential	Revenue Differential	Revenue Differential	Total Re Differ Annual	ITA R	New USF Befor Acct Adjustment n = n-1 unless n (< 0 than 0	unting ments	y USF ess n-0 an 0
Sour	Veriz Exhibit 2	Verizon Exhibit ECB-2	on Ve ECB- Ex	Order	C	Calc	Calc	alc	lc	Ca	ITA E) Attachr 2nd Rev (two F cha	Calc	der	lc
dams	\$ 11	14.90	321	\$ 22.23	23 \$	\$ 7.3	\$ 9,327.62	\$ 1,248.28	\$ 575.91	\$ 534		\$ 0.00	\$ 0.00	\$ 0.00
dhambra	\$ 11	19.71	343	\$ 22.23	23 \$	\$ 2.5	\$ 5,663.45	\$ 352.80	\$ 016.29	\$ 72		\$ 0.00	\$ 0.00	\$ 0.00
dhambri	\$ 11	18.90	314	\$ 22.23	23 \$	\$ 3.1	\$ 7,660.62	\$ 1,504.15	\$ 164.78	\$ 121		\$ 0.00	\$ 0.00	\$ 0.00
dhambri	\$ 21	23.15	162	\$ 22.23	23 \$	\$ (0.9)	\$ 5,507.32	\$ 0.00	\$ 507.32	\$ 66		\$ 486,592.11	\$ 0.00	\$ 592.16
dhambri	\$ 11	16.77	222	\$ 22.23	23 \$	\$ 5.4	\$ 1,811.72	\$ 54.60	\$ 666.32	\$ 116		\$ 0.00	\$ 0.00	\$ 0.00
dhambri	\$ 11	21.75	195	\$ 22.23	23 \$	\$ 0.4	\$ 2,337.30	\$ 93.60	\$ 430.90	\$ 25		\$ 0.00	\$ 0.00	\$ 0.00
dhambri	\$ 11	16.89	361	\$ 22.23	23 \$	\$ 5.3	\$ 3,377.22	\$ 795.66	\$ 172.88	\$ 50		\$ 0.00	\$ 0.00	\$ 0.00
dhambri	\$ 11	15.70	188	\$ 22.23	23 \$	\$ 6.5	\$ 5,315.04	\$ 1,546.70	\$ 861.74	\$ 334		\$ 1,049,924.11	\$ 0.00	\$ 924.12
dhambri	\$ 11	24.76	361	\$ 22.23	23 \$	\$ (2.5)	\$ 4,308.36	\$ 0.00	\$ 308.36	\$ 51		\$ 0.00	\$ 0.00	\$ 0.00
dhambri	\$ 21	25.85	124	\$ 22.23	23 \$	\$ (3.8)	\$ 5,335.76	\$ 0.00	\$ 535.76	\$ 5		\$ 0.00	\$ 0.00	\$ 0.00
dhambri	\$ 11	24.16	202	\$ 22.23	23 \$	\$ (1.9)	\$ 4,580.94	\$ 0.00	\$ 580.94	\$ 174		\$ 138,622.7	\$ 0.00	\$ 0.00
dhambri	\$ 21	29.24	146	\$ 22.23	23 \$	\$ (7.0)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00		\$ 7,648.0	\$ 0.00	\$ 0.00
dhambri	\$ 11	24.33	197	\$ 22.23	23 \$	\$ (2.1)	\$ 0,954.17	\$ 0.00	\$ 954.17	\$ 131		\$ 415,910.9	\$ 0.00	\$ 0.00
dhambri	\$ 11	19.72	313	\$ 22.23	23 \$	\$ 2.1	\$ 8,726.21	\$ 838.34	\$ 564.55	\$ 96		\$ 0.00	\$ 0.00	\$ 0.00
dhambri	\$ 11	24.17	337	\$ 22.23	23 \$	\$ (1.9)	\$ 4,436.27	\$ 0.00	\$ 436.27	\$ 53		\$ 0.00	\$ 0.00	\$ 0.00
dhambri	\$ 11	24.59	313	\$ 22.23	23 \$	\$ (2.3)	\$ 2,675.05	\$ 0.00	\$ 675.09	\$ 32		\$ 16,874.9	\$ 0.00	\$ 0.00
dhambri	\$ 11	24.81	329	\$ 22.23	23 \$	\$ (2.5)	\$ 6,883.84	\$ 0.00	\$ 883.84	\$ 82		\$ 128,924.9	\$ 0.00	\$ 221.92
dhambri	\$ 21	24.03	312	\$ 22.23	23 \$	\$ (1.8)	\$ 537.60	\$ 0.00	\$ 537.60	\$ 6		\$ 102,025.8	\$ 0.00	\$ 0.00
dhambri	\$ 11	14.95	159	\$ 22.23	23 \$	\$ 7.1	\$ 0,235.02	\$ 720.88	\$ 955.90	\$ 995		\$ 0.00	\$ 0.00	\$ 0.00
dhambri	\$ 11	4.75	190	\$ 22.23	23 \$	\$ 17.4	\$ 1,777.00	\$ 1,024.04	\$ 801.04	\$ 297		\$ 0.00	\$ 0.00	\$ 0.00
dhambri	\$ 11	20.70	320	\$ 22.23	23 \$	\$ 1.5	\$ 1,878.60	\$ 354.96	\$ 233.56	\$ 26		\$ 179,109.2	\$ 0.00	\$ 109.28
dhambri	\$ 21	22.95	313	\$ 22.23	23 \$	\$ (0.7)	\$ 790.14	\$ 0.00	\$ 790.14	\$ 6		\$ 504,737.3	\$ 0.00	\$ 309.32
dhambri	\$ 11	18.70	281	\$ 22.23	23 \$	\$ 3.5	\$ 7,981.33	\$ 1,249.62	\$ 230.95	\$ 110		\$ 0.00	\$ 0.00	\$ 0.00
dhambri	\$ 11	24.84	165	\$ 22.23	23 \$	\$ (2.7)	\$ 7,582.04	\$ 0.00	\$ 582.05	\$ 810		\$ 253,544.4	\$ 0.00	\$ 544.40
dhambri	\$ 11	19.74	244	\$ 22.23	23 \$	\$ 2.4	\$ 6,207.56	\$ 1,240.02	\$ 447.58	\$ 85		\$ 147,917.0	\$ 0.00	\$ 917.04
dhambri	\$ 21	26.50	361	\$ 22.23	23 \$	\$ (4.2)	\$ 1,127.9	\$ 0.00	\$ 127.91	\$ 11		\$ 620,008.0	\$ 0.00	\$ 0.00
dhambri	\$ 11	4.00	73	\$ 22.23	23 \$	\$ 18.2	\$ 1,330.75	\$ 145.84	\$ 476.63	\$ 17		\$ 0.00	\$ 0.00	\$ 0.00
dhambri	\$ 11	22.52	301	\$ 22.23	23 \$	\$ (0.2)	\$ 2,027.25	\$ 0.00	\$ 27.25	\$ 24		\$ 189,136.0	\$ 0.00	\$ 136.00
dhambri	\$ 21	29.52	522	\$ 22.23	23 \$	\$ (7.2)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00		\$ 264,364.0	\$ 0.00	\$ 364.00
dhambri	\$ 11	12.83	134	\$ 22.23	23 \$	\$ 9.2	\$ 1,447.20	\$ 223.20	\$ 670.40	\$ 20		\$ 0.00	\$ 0.00	\$ 0.00
dhambri	\$ 11	22.85	358	\$ 22.23	23 \$	\$ (0.8)	\$ 3,313.52	\$ 0.00	\$ 313.52	\$ 35		\$ 753,933.7	\$ 0.00	\$ 933.76
dhambri	\$ 11	15.93	130	\$ 22.23	23 \$	\$ 6.2	\$ 12,310.60	\$ 1,103.00	\$ 413.60	\$ 446		\$ 0.00	\$ 0.00	\$ 0.00
dhambri	\$ 11	21.95	388	\$ 22.23	23 \$	\$ 0.2	\$ 1,081.06	\$ 134.40	\$ 215.48	\$ 134		\$ 837,036.2	\$ 0.00	\$ 036.24
dhambri	\$ 11	21.90	378	\$ 22.23	23 \$	\$ 0.2	\$ 1,308.48	\$ 31.35	\$ 339.83	\$ 11		\$ 54,265.0	\$ 0.00	\$ 265.04
dhambri	\$ 21	25.91	534	\$ 22.23	23 \$	\$ (3.6)	\$ 5,583.72	\$ 0.00	\$ 583.72	\$ 67		\$ 287,551.3	\$ 0.00	\$ 551.36
dhambri	\$ 11	17.71	260	\$ 22.23	23 \$	\$ 4.2	\$ 10,885.00	\$ 2,689.40	\$ 574.40	\$ 402		\$ 59,263.2	\$ 0.00	\$ 263.20
dhambri	\$ 11	20.52	405	\$ 22.23	23 \$	\$ 1.7	\$ 6,603.50	\$ 425.70	\$ 029.29	\$ 84		\$ 221,553.5	\$ 0.00	\$ 553.52
dhambri	\$ 21	20.19	367	\$ 22.23	23 \$	\$ 2.0	\$ 1,360.60	\$ 379.44	\$ 740.12	\$ 20		\$ 858,095.5	\$ 0.00	\$ 857.56
dhambri	\$ 11	17.11	470	\$ 22.23	23 \$	\$ 5.1	\$ 3,318.20	\$ 880.64	\$ 198.64	\$ 55		\$ 71,538.9	\$ 0.00	\$ 538.92
dhambri	\$ 21	22.86	314	\$ 22.23	23 \$	\$ (0.6)	\$ 12,056.42	\$ 0.00	\$ 58.42	\$ 24		\$ 26,395.9	\$ 0.00	\$ 395.96
dhambri	\$ 11	12.50	153	\$ 22.23	23 \$	\$ 9.7	\$ 4,634.15	\$ 1,517.88	\$ 152.07	\$ 71		\$ 99,615.1	\$ 0.00	\$ 615.16
dhambri	\$ 11	16.44	160	\$ 22.23	23 \$	\$ 5.7	\$ 4,043.40	\$ 723.75	\$ 767.15	\$ 57		\$ 0.00	\$ 0.00	\$ 0.00
dhambri	\$ 11	21.53	337	\$ 22.23	23 \$	\$ 0.7	\$ 7,458.30	\$ 591.50	\$ 049.85	\$ 216		\$ 718,663.8	\$ 0.00	\$ 663.80
dhambri	\$ 11	3.00	75	\$ 22.23	23 \$	\$ 19.2	\$ 11,226.20	\$ 519.21	\$ 745.46	\$ 20		\$ 0.00	\$ 0.00	\$ 0.00
dhambri	\$ 11	20.84	434	\$ 22.23	23 \$	\$ 1.1	\$ 1,536.30	\$ 141.51	\$ 677.87	\$ 20		\$ 36,263.5	\$ 0.00	\$ 263.56
dhambri	\$ 11	14.19	391	\$ 22.23	23 \$	\$ 8.0	\$ 6,896.10	\$ 1,310.52	\$ 206.70	\$ 90		\$ 14,003.8	\$ 0.00	\$ 003.80
dhambri	\$ 11	22.06	577	\$ 22.23	23 \$	\$ 0.7	\$ 7,026.44	\$ 117.64	\$ 144.08	\$ 204		\$ 608,733.0	\$ 0.00	\$ 733.04
dhambri	\$ 11	15.68	578	\$ 22.23	23 \$	\$ 6.2	\$ 4,895.60	\$ 1,152.80	\$ 048.48	\$ 71		\$ 34,965.4	\$ 0.00	\$ 965.48
dhambri	\$ 21	24.95	477	\$ 22.23	23 \$	\$ (2.7)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00		\$ 0.00	\$ 0.00	\$ 0.00
TOTAL							\$ 3,373.46	\$ 111.53	\$ 64.99	\$ 6,329	\$ 1	\$ 9,283,596.12	\$ 66,719	\$ 20,271

ompa	Item	anged		on Exl			ison f	ange	
loultri	Loca	iness		\$3		9	orrect	ed on data	est su omitte
R	Loca	sident	ate	\$1		9	orrect	ed on data	est su omitte
R	Loca	iness		\$2		5	orrect	ed on data	est su omitte
lidCer	Loca	iness		\$1		1	orrect	ed on data	est su omitte
onica	Loca	sident	ate	\$3		9	orrect	ed on data	est su omitte
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Comp	R1 Re	1 Rate	ess Ac Li	Verizon as Rate	Res Differ	Bus Rate Different	Revenue Rental	eventie Total Re	Total Re Differ	Annual	IITA Re	New JSF Belfo	ounting	Net N
	a	b		e	g	h=f-b	g*c	i*d	k=l	l=k*		n = n unless r < 0	o	p=n-o < 0.
Soun	Veriz Exhibit 2	Verizon Exhibit ICB-2	in Ve ICB- Ex	Order	Ci	Calc	Calc	Calc	Ca	Cal	IITA E) Attach 2nd Rev two F cha	Calc	Order	C
Adams	\$ 11	14.90	121	\$ 20.39	19 \$	\$ 5.4	2,112.99	\$930.84	\$36.1	\$432		\$0.	\$0.00	
Alhambra	\$ 11	19.71	143	\$ 20.39	19 \$	\$ 0.6	3,744.37	\$95.20	\$3.	\$46		\$0.	\$0.00	
Ambridge	\$ 11	18.90	114	\$ 20.39	19 \$	\$ 1.4	\$5,242.81	\$120.48	\$6.	\$76		\$18,308.	\$0.00	\$5
Artes Cou	\$ 21	23.15	192	\$ 20.39	19 \$	\$ (2.7)	\$922.04	\$0.00	\$	\$11		\$541,615.	\$0.00	\$5
Arksville	\$ 14	16.77	122	\$ 20.39	19 \$	\$ 3.6	\$1,203.24	\$36.20	\$1.	\$14		\$0.	\$0.00	
AR	\$ 11	21.75	195	\$ 20.39	19 \$	\$ (1.3)	\$874.50	\$0.00	\$	\$10		\$115,056.	\$0.00	\$1
Crossville	\$ 11	16.89	161	\$ 20.39	19 \$	\$ 3.5	\$2,344.98	\$521.50	\$2.	\$34		\$0.	\$0.00	
Cgyptian	\$ 11	15.70	188	\$ 20.39	19 \$	\$ 4.6	\$0,185.12	\$829.10	\$22.	\$264	\$	\$1,120,094.	\$0.00	\$1.1
El Paso	\$ 11	24.76	161	\$ 20.39	19 \$	\$ (4.3)	\$1,436.12	\$0.00	\$1.	\$17		\$25,328.	\$0.00	\$2
C of Dep	\$ 21	25.85	124	\$ 20.39	19 \$	\$ (5.4)	\$0.00	\$0.00				\$0.	\$0.00	
C of Illin	\$ 11	24.16	102	\$ 20.39	19 \$	\$ (3.7)	\$6,849.28	\$0.00	\$0.	\$82		\$231,402.	\$0,086.00	\$
C of Lak	\$ 21	29.24	146	\$ 20.39	19 \$	\$ (8.8)	\$0.00	\$0.00				\$7,648.	\$7,648.00	
C of Mid	\$ 11	24.33	197	\$ 20.39	19 \$	\$ (3.9)	\$3,231.68	\$0.00	\$3.	\$38		\$508,580.	\$4,839.00	\$3
C of Mt.	\$ 11	19.72	113	\$ 20.39	19 \$	\$ 0.6	\$3,758.28	\$223.78	\$3.	\$47		\$0.	\$0.00	
C of Ori	\$ 11	24.17	137	\$ 20.39	19 \$	\$ (3.7)	\$1,424.18	\$0.00	\$1.	\$17		\$0.	\$0.00	
C of Pra	\$ 11	24.59	113	\$ 20.39	19 \$	\$ (4.2)	\$895.17	\$0.00	\$	\$11		\$37,033.	\$8,306.00	
C of Sch	\$ 11	24.61	129	\$ 20.39	19 \$	\$ (4.4)	\$2,608.48	\$0.00	\$2.	\$31		\$180,349.	\$7,703.00	\$1
Flat Rock	\$ 21	24.03	112	\$ 20.39	19 \$	\$ (3.6)	\$0.00	\$0.00				\$108,477.	\$0.00	\$1
Geneseo	\$ 11	14.85	159	\$ 20.39	19 \$	\$ 5.4	\$8,902.48	\$1,978.24	\$65.	\$790		\$0.	\$0.00	
Glaxford	\$	4.75	190	\$ 20.39	19 \$	\$ 15.6	\$9,587.40	\$1,705.72	\$22.	\$267		\$0.	\$0.00	
Grafton	\$ 11	20.70	120	\$ 20.39	19 \$	\$ (0.3)	\$737.80	\$0.00	\$	\$6		\$197,058.	\$0.00	\$1
Hindley	\$ 21	22.95	113	\$ 20.39	19 \$	\$ (2.5)	\$0.00	\$0.00				\$514,219.	\$4,428.00	\$3
Lamilton	\$ 11	18.70	161	\$ 20.39	19 \$	\$ 1.6	\$3,821.08	\$598.26	\$4.	\$53		\$0.	\$0.00	
Lamsonv	\$ 11	24.94	165	\$ 20.39	19 \$	\$ (4.5)	\$9,128.48	\$0.00	\$39.	\$466	\$	\$595,011.	\$0.00	\$5
Lenny Cou	\$ 11	19.74	144	\$ 20.39	19 \$	\$ 0.6	\$3,918.80	\$323.70	\$4.	\$50		\$186,380.	\$0.00	\$1
Lorne	\$ 21	26.50	161	\$ 20.39	19 \$	\$ (6.1)	\$0.00	\$0.00				\$633,541.	\$0.00	\$6
Orsman	\$	4.00	73	\$ 20.39	19 \$	\$ 16.3	\$1,196.47	\$131.12	\$1.	\$15		\$0.	\$0.00	
Harpe	\$ 11	22.52	101	\$ 20.39	19 \$	\$ (2.1)	\$389.41	\$0.00	\$	\$4		\$209,030.	\$0.00	\$2
ast River	\$ 21	29.52	122	\$ 20.39	19 \$	\$ (9.1)	\$0.00	\$0.00				\$264,384.	\$0.00	\$2
Monroe	\$ 11	12.93	134	\$ 20.39	19 \$	\$ 7.4	\$1,200.64	\$179.04	\$1.	\$16		\$0.	\$0.00	
Madison	\$ 11	22.85	158	\$ 20.39	19 \$	\$ (2.4)	\$814.80	\$0.00	\$	\$5		\$783,918.	\$0.00	\$7
Marselles	\$ 11	15.93	130	\$ 20.39	19 \$	\$ 4.4	\$5,999.40	\$1,612.60	\$29.	\$352		\$0.	\$0.00	
McDonou	\$ 11	21.95	186	\$ 20.39	19 \$	\$ (1.9)	\$3,746.84	\$0.00	\$3.	\$44		\$926,659.	\$0.00	\$9
McNabb	\$ 11	21.90	176	\$ 20.39	19 \$	\$ (1.5)	\$616.64	\$0.00	\$	\$7		\$62,943.	\$0.00	\$1
Metamora	\$ 21	25.91	134	\$ 20.39	19 \$	\$ (5.5)	\$0.00	\$0.00				\$354,556.	\$0.00	\$3
Mid Cent	\$ 11	17.71	280	\$ 20.39	19 \$	\$ 2.1	\$3,046.60	\$1,594.60	\$24.	\$295		\$166,461.	\$0.00	\$1
Montrose	\$ 11	20.52	105	\$ 20.39	19 \$	\$ (0.1)	\$4,018.30	\$0.00	\$4.	\$46		\$257,685	\$0.00	\$2
Moultrie	\$ 21	20.19	167	\$ 20.39	19 \$	\$ 0.2	\$133.40	\$37.20	\$	\$2		\$876,930.	\$3,209.00	\$5
New Wink	\$ 11	17.11	170	\$ 20.39	19 \$	\$ 3.1	\$2,453.40	\$564.16	\$3.	\$36		\$85,714.	\$0.00	\$1
Ndin	\$ 21	22.86	114	\$ 20.39	19 \$	\$ (2.4)	\$192.60	\$0.00	\$	\$2		\$48,785.	\$0.00	\$
Neida	\$ 11	12.50	153	\$ 20.39	19 \$	\$ 7.1	\$3,800.60	\$1,230.84	\$5.	\$60		\$113,061	\$0.00	\$1
Reynolds	\$ 11	16.44	160	\$ 20.39	19 \$	\$ 3.1	\$3,197.00	\$493.75	\$3.	\$44		\$0.	\$0.00	
Shawnee	\$ 11	21.53	137	\$ 20.39	19 \$	\$ (1.1)	\$0,398.20	\$0.00	\$10.	\$124		\$810,482	\$0.00	\$8
Stelle	\$	3.00	75	\$ 20.39	19 \$	\$ 17.1	\$1,088.20	\$469.53	\$1.	\$16		\$0.	\$0.00	
Tonica	\$ 11	20.64	134	\$ 20.39	19 \$	\$ (0.2)	\$737.80	\$0.00	\$	\$6		\$47,544	\$0.00	\$
Nota Hon	\$ 11	14.19	191	\$ 20.39	19 \$	\$ 6.1	\$5,624.74	\$1,010.60	\$6.	\$75		\$32,859	\$0.00	\$
Nabash	\$ 11	22.06	177	\$ 20.39	19 \$	\$ (1.8)	\$8,604.70	\$0.00	\$8.	\$102		\$711,204	\$0.00	\$7
Noodhull	\$ 11	15.68	178	\$ 20.39	19 \$	\$ 4.1	\$3,832.10	\$828.96	\$4.	\$51		\$51,613	\$0.00	\$1
Nates Cit	\$ 21	24.95	177	\$ 20.39	19 \$	\$ (4.5)	\$0.00	\$0.00				\$0.	\$0.00	
TOTAL							4,099.29	515.42	\$ 342.6	\$ 4,111	\$1	2 \$ 1 823,922.	966,719	\$ 9

Company	Item Changed	Verizon Exhibit	Rate	Reason for Change
Moultrie	Local Business Rate	\$34.94	\$20.19	Incorrect, based on data request submitted
CR	Local Residential Rate	\$19.28	\$19.29	Incorrect, based on data request submitted
CR	Local Business Rate	\$21.74	\$21.75	Incorrect, based on data request submitted
MidCentury	Local Business Rate	\$17.72	\$17.71	Incorrect, based on data request submitted
Tonica	Local Residential Rate	\$30.87	\$18.69	Incorrect, based on data request submitted
Tonica	Local Business Rate	\$32.82	\$20.64	Incorrect, based on data request submitted

Mid Century USF Requested \$ 443,212 \$ 462,156 Staff Change

De er 31 0, Ac Lines												
	(b)	c)	l)							(l)	(m)	
	mary ential nes	rimary ential es	al ntial s b	line lines	F t	for e line es	A line bt	I lti- busi s	Tota ss l	Acces from l 2	Total Pri Residen First Bus Line	% of Tot
Co												
Adar	3,587	334	3,921	227		137	32	6			3	85.2
Alha	999	44	1,043	56		22	32	1			1	91.0
Carn	1,237	77	1,314	150		102	30	2			1	72.1
Cass	2,434	58	2,492	213		95	79	7			2	86.3
C-R	743	52	795	47		24	24	5				82.2
Cros	514	47	561	77		18	34	9				85.6
Egyr	2,573	215	2,788	118		68	34	1			2	86.6
El Pi	1,492	69	1,561	87		104	31	2			1	83.6
Flat I	465	47	512	57		10	25	2				88.1
FC c	675	49	724	25		47	15	7				88.6
FC d	3,892	310	4,202	267		13	32	2			4	86.7
FC e	717	29	746	33		21	34	9				86.2
FC f	3,951	246	4,197	147		10	75	2			4	88.7
FC g	858	55	913	68		10	39	7				85.1
FC h	2,225	104	2,329	109		75	28	2			2	79.2
Glas	1,028	162	1,190	83		29	31	3			1	83.6
Graf	585	35	620	82		30	20	2				81.6
Grid	965	48	1,013	59		45	24	9			1	74.2
Harr	14,708	757	15,465	841		23	19	3			16	83.5
Herr	1,177	67	1,244	173		81	14	8			1	82.1
Hom	850	11	861	52		28	71	1				91.6
Lafk	879	22	901	71		37	36	4				89.3
Leaf	499	23	522	53		10	25	8				92.1
Madi	1,320	38	1,358	116		48	77	1			1	92.6
McD	3,778	208	3,986	213		69	38	0			4	90.6
McN	365	11	376	14		20	31	5				84.7
Metz	3,391	143	3,534	221		378	35	4			3	94.4
Mild	4,151	109	4,260	214		191	30	5			4	93.6
Mon	1,354	51	1,405	54		52	43	9			1	88.3
Mou	560	7	567	57		18	11	6				86.2
New	453	17	470	91		22	59	2				88.2
Odin	988	26	1,014	57		23	52	2			1	93.2
Onel	373	80	453	56		26	74	6				74.7
Reyr	425	35	460	58		13	34	5				84.6
Shan	3,680	157	3,837	726		81	38	5			4	95.6
Toni	422	12	434	68		16	42	6				90.4
Viole	638	53	691	65		30	58	3				85.6
Wab	4,186	391	4,577	221		141	30	2			4	86.3
Woo	531	47	578	40		37	39	6				80.6
Total	73,768	4,246	78,014	3,666		1,004	45	5			82	86.6
Con												

Illinois Independent Telephone Association
Calculated Impact on "non-primary" Lines of
Reductions in IUSF Funding Applied Only to Those Lines

Company Name (a)	IUSF Funding Based on \$20.39 Affordable Rate (b)	Percent of Primary/Single Lines (c)	IUSF Funding Reduction if Primary/Single Line Only Supported (d)	Number of non- Primary Lines (e)	Non-Primary Rate Increase to Recover Reduced Funding (f)
1 Adams	\$0	85.21%	\$ -	686	\$ -
2 Alhambra	\$0	91.0%	\$ -	106	\$ -
3 Cambridge	\$18,309	72.1%	\$ 5,113	577	\$ 0.74
4 Cass County	\$541,616	86.3%	\$ 74,453	437	\$ 14.20
5 C-R	\$115,056	82.2%	\$ 20,454	176	\$ 9.68
6 Crossville	\$0	85.8%	\$ -	101	\$ -
7 Egyptian	\$1,120,094	86.8%	\$ 147,678	419	\$ 29.37
8 El Paso	\$25,329	83.6%	\$ 4,156	350	\$ 0.99
9 Flat Rock	\$108,477	88.1%	\$ 12,931	72	\$ 14.97
10 FC of Depue	\$0	88.8%	\$ -	94	\$ -
11 FC of Illinois	\$111,317	86.7%	\$ 1,509	642	\$ 0.20
12 FC of Lakeside	\$0	86.2%	\$ -	123	\$ -
13 FC of Midland	\$303,742	88.7%	\$ 34,187	521	\$ 5.47
14 FC of Prairie	\$0	85.1%	\$ -	164	\$ -
15 FC of Schuyler	\$152,646	79.2%	\$ 31,724	632	\$ 4.18
16 Glasford	\$0	83.6%	\$ -	223	\$ -
17 Grafton	\$197,058	81.8%	\$ 35,850	155	\$ 19.27
18 Gridley	\$329,791	74.2%	\$ 85,137	372	\$ 19.07
19 Harrisonville	\$595,012	83.5%	\$ 97,937	3,206	\$ 2.55
20 Henry County	\$186,380	82.1%	\$ 33,275	311	\$ 8.92
21 Home	\$633,541	91.9%	\$ 51,334	82	\$ 52.17
22 LaHarpe	\$209,030	89.3%	\$ 22,322	118	\$ 15.76
23 Leaf River	\$264,364	92.1%	\$ 20,802	48	\$ 36.12
24 Madison	\$783,918	92.8%	\$ 56,379	115	\$ 40.85
25 McDonough	\$926,660	90.9%	\$ 84,242	406	\$ 17.29
26 McNabb	\$62,943	84.7%	\$ 9,622	72	\$ 11.14
27 Metamora	\$354,556	94.4%	\$ 19,958	238	\$ 6.99
28 Mid Century	\$166,462	93.8%	\$ 10,252	299	\$ 2.86
29 Montrose	\$257,685	88.3%	\$ 30,224	194	\$ 12.98
30 Moultrie	\$593,722	86.2%	\$ 82,133	118	\$ 58.00
31 New Windsor	\$85,714	88.2%	\$ 10,147	76	\$ 11.13
32 Odin	\$48,785	93.2%	\$ 3,320	78	\$ 3.55
33 Oneida	\$113,062	74.7%	\$ 28,590	154	\$ 15.47
34 Reynolds	\$0	84.8%	\$ -	89	\$ -
35 Shawnee	\$810,483	95.8%	\$ 33,756	195	\$ 14.43
36 Tonica	\$47,544	90.4%	\$ 4,585	54	\$ 7.08
37 Viola Home	\$32,860	85.8%	\$ 4,656	121	\$ 3.21
38 Wabash	\$711,205	86.3%	\$ 97,320	721	\$ 11.25
39 Woodhull	\$51,614	80.6%	\$ 9,994	146	\$ 5.70
Total	\$9,858,975		\$1,164,040	12,691	\$ 7.64

Illinois Independent Telephone Association
Potential Impact on Governmental Authorities

Company Name	IUSF Funding Reduction if Primary/Single Line Only Supported	Number of non- Primary Lines	Number of governmental non-Primary lines	% of total non- Primary Lines	Potential governmental increases for non-Primary lines
1 Alhambra	\$ -	106	12	11.3%	\$ -
2 Cambridge	\$ 5,113	577	260	45.1%	\$ 2,304
3 Cass County	\$ 74,453	437	113	25.9%	\$ 19,252
4 Flat Rock	\$ 12,931	72	1	1.4%	\$ 180
5 Grafton	\$ 35,850	155	12	7.7%	\$ 2,775
6 Gridley	\$ 85,137	372	77	20.7%	\$ 17,622
7 Harrisonville	\$ 97,937	3,206	535	16.7%	\$ 16,343
8 Henry County	\$ 33,275	311	59	19.0%	\$ 6,313
9 Home	\$ 51,334	82	15	18.3%	\$ 9,390
10 Leaf River	\$ 20,802	48	7	14.6%	\$ 3,034
11 Madison	\$ 56,379	115	18	15.7%	\$ 8,825
12 McDonough	\$ 84,242	406	42	10.3%	\$ 8,715
13 McNabb	\$ 9,622	72	4	5.6%	\$ 535
14 Montrose	\$ 30,224	194	17	8.8%	\$ 2,649
15 Moultrie	\$ 82,133	118	13	11.0%	\$ 9,049
16 New Windsor	\$ 10,147	76	9	11.8%	\$ 1,202
17 Tonica	\$ 4,585	54	5	9.3%	\$ 425
18 Viola Home	\$ 4,656	121	13	10.7%	\$ 500
19 Wabash	\$ 97,320	721	78	10.8%	\$ 10,528
20 Woodhull	\$ 9,994	146	15	10.3%	\$ 1,027
Total for Companies					
21 with Data	\$ 806,133	7,389	1,305	17.7%	\$ 120,666
Proforma Estimate for					
22 All Companies	\$ 1,164,040			17.7%	\$ 205,586

Illinois Independent Telephone Association
Calculation of Rate Differential to Verizon Rates - \$20.39

Company Name	R1 Rate	B1 Rate	Verizon Rate	R1 Increase	% Increase	B1 Increase	% Increase
Adams	\$ 12.20	\$ 14.90	\$ 20.39	\$ 8.19	67.1%	\$ 5.49	36.8%
Alhambra	\$ 16.80	\$ 19.71	\$ 20.39	\$ 3.59	21.4%	\$ 0.68	3.5%
Cambridge	\$ 16.40	\$ 18.90	\$ 20.39	\$ 3.99	24.3%	\$ 1.49	7.9%
Cass County	\$ 20.02	\$ 23.15	\$ 20.39	\$ 0.37	1.8%	-	0.0%
C-R	\$ 19.29	\$ 21.75	\$ 20.39	\$ 1.10	5.7%	-	0.0%
Crossville	\$ 16.21	\$ 16.89	\$ 20.39	\$ 4.18	25.8%	\$ 3.50	20.7%
Egyptian	\$ 13.15	\$ 15.70	\$ 20.39	\$ 7.24	55.1%	\$ 4.69	29.9%
El Paso	\$ 19.47	\$ 24.76	\$ 20.39	\$ 0.92	4.7%	-	0.0%
FC of Illinois	\$ 18.76	\$ 24.16	\$ 20.39	\$ 1.63	8.7%	-	0.0%
FC of Lakeside	\$ 25.53	\$ 29.24	\$ 20.39	-	0.0%	-	0.0%
FC of Midland	\$ 19.62	\$ 24.33	\$ 20.39	\$ 0.77	3.9%	-	0.0%
FC of Prairie	\$ 19.30	\$ 24.59	\$ 20.39	\$ 1.09	5.6%	-	0.0%
FC of Schuyler	\$ 19.27	\$ 24.81	\$ 20.39	\$ 1.12	5.8%	-	0.0%
Flat Rock	\$ 21.18	\$ 24.03	\$ 20.39	-	0.0%	-	0.0%
Glasford	\$ 3.93	\$ 4.75	\$ 20.39	\$ 16.46	418.8%	\$ 15.64	329.3%
Grafton	\$ 19.20	\$ 20.70	\$ 20.39	\$ 1.19	6.2%	-	0.0%
Gridley	\$ 21.45	\$ 22.95	\$ 20.39	-	0.0%	-	0.0%
Harrisonville	\$ 17.86	\$ 24.94	\$ 20.39	\$ 2.53	14.2%	-	0.0%
Henry County	\$ 17.24	\$ 19.74	\$ 20.39	\$ 3.15	18.3%	\$ 0.65	3.3%
Home	\$ 20.92	\$ 26.50	\$ 20.39	-	0.0%	-	0.0%
LaHarpe	\$ 19.98	\$ 22.52	\$ 20.39	\$ 0.41	2.1%	-	0.0%
Leaf River	\$ 24.93	\$ 29.52	\$ 20.39	-	0.0%	-	0.0%
Madison	\$ 19.79	\$ 22.85	\$ 20.39	\$ 0.80	3.0%	-	0.0%
McDonough	\$ 19.45	\$ 21.95	\$ 20.39	\$ 0.94	4.8%	-	0.0%
McNabb	\$ 18.75	\$ 21.90	\$ 20.39	\$ 1.64	8.7%	-	0.0%
Melamora	\$ 20.65	\$ 25.91	\$ 20.39	-	0.0%	-	0.0%
Mid Century	\$ 14.98	\$ 17.71	\$ 20.39	\$ 5.41	36.1%	\$ 2.68	15.1%
Montrose	\$ 17.53	\$ 20.52	\$ 20.39	\$ 2.86	16.3%	-	0.0%
Moultrie	\$ 20.19	\$ 20.19	\$ 20.39	\$ 0.20	1.0%	\$ 0.20	1.0%
New Windsor	\$ 15.17	\$ 17.11	\$ 20.39	\$ 5.22	34.4%	\$ 3.28	19.2%
Odin	\$ 20.20	\$ 22.86	\$ 20.39	\$ 0.19	0.9%	-	0.0%
Oneida	\$ 12.00	\$ 12.50	\$ 20.39	\$ 8.39	69.9%	\$ 7.89	63.1%
Reynolds	\$ 13.44	\$ 16.44	\$ 20.39	\$ 6.95	51.7%	\$ 3.95	24.0%
Shawnee	\$ 17.68	\$ 21.53	\$ 20.39	\$ 2.71	15.3%	-	0.0%
Tonica	\$ 18.89	\$ 20.64	\$ 20.39	\$ 1.70	9.1%	-	0.0%
Viola Home	\$ 12.25	\$ 14.19	\$ 20.39	\$ 8.14	66.4%	\$ 6.20	43.7%
Wabash	\$ 18.51	\$ 22.06	\$ 20.39	\$ 1.88	10.2%	-	0.0%
Woodhull	\$ 13.76	\$ 15.68	\$ 20.39	\$ 6.63	48.2%	\$ 4.71	30.0%

Illinois Independent Telephone Association
Proposed Three-Year Transition Plan for
Illinois USF

IITA Exhibit 2 on Rehearing, Attachment 9
Page 1 of 1

Company	IITA Requested	Accounting Adjustments	IITA Requested Adjusted for Accounting Adjustments	Total Revenue Differential Annualized	Transitional Revenue Differential- October 1, 2001	Transitional Revenue Differential- April 1, 2002	Transitional Revenue Differential- October 1, 2002	Transitional Revenue Differential- April 1, 2003	Transitional Revenue Differential- October 1, 2003	Revenue Differential- April 1, 2004	Transitional IUSF- October 1, 2001	Transitional IUSF- April 1, 2002	Transitional IUSF- October 1, 2002	Transitional IUSF- October 1, 2003	Transitional IUSF- October 1, 2003	Final IUSF- April 1, 2004
a	b	c	d=b-c	e	f=e*(1/6)	g=e*(2/6)	h=e*(3/6)	i=e*(4/6)	j=e*(5/6)	k=e	l=(e+f) or d-f	m=(e+g) or d-g	n=(e+h) or d-h	o=(e+i) or d-i	p=(e+j) or d-j	q=(e+k) or d-k
Source->	IITA Est. #4, Attach. 10, 2nd Rev. with two Premier changes	Order	Calc	IITA Exhibit #2 on Rehearing, Attachment 3, Rounded	Calc	Calc	Calc	Calc	Calc	Calc	Calc	Calc	Calc	Calc	Calc	Calc
Adams	\$118,785	\$0.00	\$118,785.00	\$432,528	\$72,088	\$144,175	\$216,263	\$288,351	\$360,438	\$432,528	\$46,677	\$ -	\$ -	\$ -	\$ -	\$ -
Alhambra	\$5,564	\$0.00	\$5,564.00	\$46,075	\$7,679	\$15,358	\$23,037	\$30,717	\$38,396	\$46,075	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cambridge	\$94,659	\$0.00	\$94,659.00	\$78,360	\$12,727	\$25,453	\$38,180	\$50,807	\$63,533	\$76,360	\$1,342	\$69,218	\$69,218	\$43,782	\$31,036	\$18,308
Cass County	\$552,640	\$0.00	\$552,640.00	\$1,064	\$1,844	\$3,688	\$5,532	\$7,376	\$9,220	\$11,064	\$550,836	\$48,992	\$547,148	\$545,304	\$543,460	\$541,616
C-R	\$128,560	\$0.00	\$128,560.00	\$10,494	\$1,749	\$3,498	\$5,247	\$6,995	\$8,745	\$10,494	\$123,401	\$122,032	\$120,303	\$118,554	\$118,800	\$118,056
Crossville	\$10,318	\$0.00	\$10,318.00	\$34,398	\$5,733	\$11,466	\$17,199	\$22,932	\$28,665	\$34,398	\$4,585	\$ -	\$ -	\$ -	\$ -	\$ -
Egyptian	\$1,384,285	\$0.00	\$1,384,285.00	\$264,171	\$44,028	\$88,057	\$132,086	\$176,114	\$220,142	\$264,171	\$1,340,237	\$1,206,298	\$1,252,190	\$1,208,151	\$1,164,123	\$1,120,094
El Paso	\$42,562	\$0.00	\$42,562.00	\$17,233	\$2,872	\$5,744	\$8,617	\$11,489	\$14,361	\$17,233	\$38,690	\$38,818	\$33,945	\$31,073	\$28,201	\$25,329
FC of Illinois	\$313,994	\$220,086.00	\$89,908.00	\$2,191	\$3,651	\$7,302	\$10,953	\$14,604	\$18,255	\$21,906	\$82,101	\$79,808	\$66,111	\$52,412	\$38,714	\$25,015
FC of Louisville	\$7,648	\$7,648.00	\$0.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FC of Midland	\$547,361	\$204,636.00	\$342,725.00	\$38,780	\$6,463	\$12,927	\$19,390	\$25,854	\$32,317	\$38,780	\$338,059	\$328,595	\$323,132	\$318,568	\$310,205	\$303,742
FC of Prairie	\$48,976	\$38,806.00	\$10,170.00	\$1,942	\$3,237	\$6,474	\$9,711	\$12,948	\$16,185	\$19,422	\$11,042	\$8,180	\$5,199	\$2,209	\$ -	\$ -
FC of Schuyler	\$211,851	\$27,703.00	\$183,948.00	\$1,302	\$2,170	\$4,340	\$6,510	\$8,680	\$10,850	\$13,020	\$178,731	\$173,514	\$168,297	\$163,080	\$157,863	\$152,646
Flat Rock	\$108,477	\$0.00	\$108,477.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$108,477	\$108,477	\$108,477	\$108,477	\$108,477	\$108,477
Glasford	\$19,824	\$0.00	\$19,824.00	\$267,517	\$44,586	\$89,172	\$133,758	\$178,345	\$222,931	\$267,517	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grafton	\$205,912	\$0.00	\$205,912.00	\$8,854	\$1,476	\$2,951	\$4,427	\$6,640	\$8,854	\$10,854	\$204,436	\$202,961	\$201,485	\$200,010	\$198,534	\$197,058
Griskey	\$514,219	\$184,428.00	\$329,791.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$329,791	\$329,791	\$329,791	\$329,791	\$329,791	\$329,791
Harrisonville	\$1,084,529	\$0.00	\$1,084,529.00	\$489,517	\$81,586	\$163,172	\$244,758	\$326,344	\$407,930	\$489,517	\$985,117	\$908,023	\$929,770	\$851,517	\$773,265	\$695,012
Henry County	\$237,288	\$0.00	\$237,288.00	\$50,908	\$8,485	\$16,969	\$25,454	\$33,838	\$42,223	\$50,908	\$228,803	\$220,319	\$211,834	\$203,350	\$194,865	\$186,380
Home	\$833,541	\$0.00	\$833,541.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$833,541	\$833,541	\$833,541	\$833,541	\$833,541	\$833,541
LaHarpe	\$213,463	\$0.00	\$213,463.00	\$4,433	\$739	\$1,478	\$2,218	\$2,955	\$3,694	\$4,433	\$212,724	\$211,085	\$211,247	\$210,508	\$209,769	\$209,030
Leaf River	\$264,364	\$0.00	\$264,364.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$264,364	\$264,364	\$264,364	\$264,364	\$264,364	\$264,364
Medison	\$793,896	\$0.00	\$793,896.00	\$9,778	\$1,629	\$3,258	\$4,887	\$6,516	\$8,145	\$9,778	\$782,086	\$780,437	\$788,807	\$787,176	\$785,548	\$783,918
McDonough	\$971,822	\$0.00	\$971,822.00	\$44,982	\$7,497	\$14,994	\$22,491	\$29,987	\$37,484	\$44,982	\$964,128	\$956,635	\$949,141	\$941,647	\$934,154	\$926,660
McHabb	\$70,343	\$0.00	\$70,343.00	\$7,400	\$1,233	\$2,467	\$3,700	\$4,933	\$6,166	\$7,400	\$68,110	\$67,876	\$66,643	\$65,410	\$64,177	\$62,943
Metamora	\$354,558	\$0.00	\$354,558.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$354,558	\$354,558	\$354,558	\$354,558	\$354,558	\$354,558
Mid Century	\$462,150	\$0.00	\$462,150.00	\$285,694	\$47,616	\$95,232	\$142,848	\$189,464	\$236,080	\$282,696	\$412,874	\$363,501	\$314,309	\$265,026	\$215,744	\$166,462
Montrose	\$305,905	\$0.00	\$305,905.00	\$8,220	\$1,370	\$2,740	\$4,110	\$5,480	\$6,850	\$8,220	\$297,685	\$280,832	\$261,735	\$242,638	\$223,541	\$204,444
Moultrie	\$678,978	\$283,208.00	\$395,770.00	\$2,047	\$341	\$682	\$1,024	\$1,365	\$1,706	\$2,047	\$676,931	\$675,087	\$673,243	\$671,399	\$669,555	\$667,711
New Windsor	\$121,826	\$0.00	\$121,826.00	\$8,211	\$1,368	\$2,736	\$4,104	\$5,472	\$6,840	\$8,211	\$113,615	\$109,855	\$106,095	\$102,335	\$98,575	\$94,815
Odin	\$51,087	\$0.00	\$51,087.00	\$2,312	\$385	\$770	\$1,155	\$1,540	\$1,925	\$2,312	\$48,775	\$48,560	\$48,345	\$48,130	\$47,915	\$47,700
Onida	\$173,440	\$0.00	\$173,440.00	\$60,378	\$10,063	\$20,126	\$30,189	\$40,252	\$50,315	\$60,378	\$113,062	\$113,314	\$113,566	\$113,818	\$114,070	\$114,322
Reynolds	\$24,201	\$0.00	\$24,201.00	\$4,288	\$714	\$1,428	\$2,142	\$2,856	\$3,570	\$4,288	\$19,913	\$19,820	\$19,727	\$19,634	\$19,541	\$19,448
Shenandoah	\$835,282	\$0.00	\$835,282.00	\$124,779	\$20,797	\$41,593	\$62,390	\$83,186	\$103,983	\$124,779	\$710,503	\$683,669	\$656,835	\$629,001	\$601,167	\$573,333
Tonawanda	\$58,398	\$0.00	\$58,398.00	\$8,894	\$1,482	\$2,964	\$4,446	\$5,928	\$7,410	\$8,894	\$49,504	\$48,610	\$47,716	\$46,822	\$45,928	\$45,034
Violet Home	\$112,484	\$0.00	\$112,484.00	\$78,824	\$13,137	\$26,274	\$39,411	\$52,548	\$65,685	\$78,824	\$34,660	\$34,660	\$34,660	\$34,660	\$34,660	\$34,660
Webster	\$814,462	\$0.00	\$814,462.00	\$103,287	\$17,214	\$34,428	\$51,642	\$68,856	\$86,070	\$103,287	\$711,175	\$683,315	\$655,455	\$627,595	\$600,735	\$572,875
Woodruff	\$107,547	\$0.00	\$107,547.00	\$5,933	\$989	\$1,978	\$2,967	\$3,956	\$4,945	\$5,933	\$101,614	\$99,681	\$97,748	\$95,815	\$93,882	\$91,949
TOTAL	\$12,959,292	\$86,719	\$12,992,573	\$2,781,503	\$463,584	\$927,168	\$1,390,751	\$1,854,335	\$2,317,919	\$2,781,503	\$11,555,867	\$11,171,106	\$10,837,609	\$10,500,436	\$10,163,319	\$9,826,075

Illinois Independent Telephone Association
Calculation of Maximum Potential Rate Increases to Verizon \$20.39 Rate
IITA Six-Period Transition Plan

Company Name	Maximum Potential R1 Increase	R1 Transition Impact - 1/6 of Maximum	Maximum Potential B1 Increase	B1 Transition Impact - 1/6 of Maximum
Adams	\$ 8.19	\$ 1.37	\$ 5.39	\$ 0.90
Alhambra	\$ 3.59	\$ 0.60	\$ 0.58	\$ 0.10
Cambridge	\$ 3.99	\$ 0.67	\$ 1.39	\$ 0.23
Cass County	\$ 0.37	\$ 0.06	\$ -	\$ -
C-R	\$ 1.10	\$ 0.18	\$ -	\$ -
Crossville	\$ 4.18	\$ 0.70	\$ 3.40	\$ 0.57
Egyptian	\$ 7.24	\$ 1.21	\$ 4.59	\$ 0.77
El Paso	\$ 0.92	\$ 0.15	\$ -	\$ -
FC of Illinois	\$ 1.63	\$ 0.27	\$ -	\$ -
FC of Lakeside	\$ -	\$ -	\$ -	\$ -
FC of Midland	\$ 0.77	\$ 0.13	\$ -	\$ -
FC of Prairie	\$ 1.09	\$ 0.18	\$ -	\$ -
FC of Schuyler	\$ 1.12	\$ 0.19	\$ -	\$ -
Flat Rock	\$ -	\$ -	\$ -	\$ -
Glasford	\$ 16.46	\$ 2.74	\$ 15.54	\$ 2.59
Grafton	\$ 1.19	\$ 0.20	\$ -	\$ -
Gridley	\$ -	\$ -	\$ -	\$ -
Harrisonville	\$ 2.53	\$ 0.42	\$ -	\$ -
Henry County	\$ 3.15	\$ 0.53	\$ 0.55	\$ 0.09
Home	\$ -	\$ -	\$ -	\$ -
LaHarpe	\$ 0.41	\$ 0.07	\$ -	\$ -
Leaf River	\$ -	\$ -	\$ -	\$ -
Madison	\$ 0.60	\$ 0.10	\$ -	\$ -
McDonough	\$ 0.94	\$ 0.16	\$ -	\$ -
McNabb	\$ 1.64	\$ 0.27	\$ -	\$ -
Metamora	\$ -	\$ -	\$ -	\$ -
Mid Century	\$ 5.41	\$ 0.90	\$ 2.58	\$ 0.43
Montrose	\$ 2.86	\$ 0.48	\$ -	\$ -
Moultrie	\$ 0.20	\$ 0.03	\$ 0.10	\$ 0.02
New Windsor	\$ 5.22	\$ 0.87	\$ 3.18	\$ 0.53
Odin	\$ 0.19	\$ 0.03	\$ -	\$ -
Oneida	\$ 8.39	\$ 1.40	\$ 7.79	\$ 1.30
Reynolds	\$ 6.95	\$ 1.16	\$ 3.85	\$ 0.64
Shawnee	\$ 2.71	\$ 0.45	\$ -	\$ -
Tonica	\$ 1.70	\$ 0.28	\$ -	\$ -
Viola Home	\$ 8.14	\$ 1.36	\$ 6.10	\$ 1.02
Wabash	\$ 1.88	\$ 0.31	\$ -	\$ -
Woodhull	\$ 6.63	\$ 1.11	\$ 4.61	\$ 0.77

Certificate of Service
Docket Nos. 00-0233 and 00-0335 Consolidated (On Rehearing)

The undersigned certifies that a copy of the Direct Testimony on Rehearing of Robert C. Schoonmaker filed on behalf of the Illinois Independent Telephone Association as IITA Exhibit 2 on Rehearing, together with the 10 Attachments, was served upon the following persons via E-Mail and by depositing a copy of same in the U.S. Mail, properly addressed and with proper postage affixed thereto, this 27th day of November, 2001.

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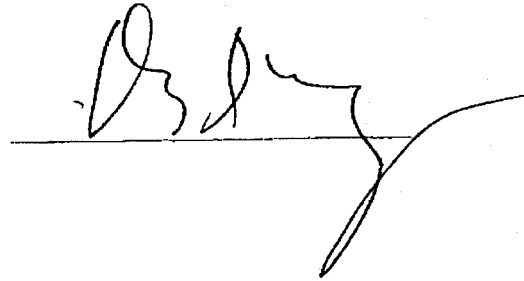
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A handwritten signature in dark ink, appearing to read "Dirwin", is written over a horizontal line. The signature is stylized with a large initial "D" and a long, sweeping tail that extends to the right.

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

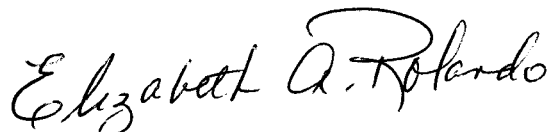
CERTIFICATE

Re: 00-0233

I, Elizabeth A. Rolando, do hereby certify that I am Chief Clerk of the Illinois Commerce Commission of the State of Illinois and keeper of the records and seal of said Commission with respect to all matters except those governed by Chapters 18a and 18c of The Illinois Vehicle Code.

I further certify that the above and foregoing is a true, correct and complete copy of the exhibit marked IITA Exhibit 2 on Rehearing at the hearing on December 18, 2001.

Given under my hand and seal of said Illinois Commerce Commission at
Springfield, Illinois, on January 15, 2003.

A handwritten signature in cursive script that reads "Elizabeth A. Rolando".

Chief Clerk